

Tobin & Co.

Marilla Township

Manistee County, Michigan

Audit Report

For the Year Ended June 30, 2008

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name*	Marilla Township	County*	Manistee	Type*	Township	MuniCode*	
Opinion Date-Use Calendar*	10/27/2008	Audit Submitted-Use Calendar*	12/03/2008	Fiscal Year End Month*	June	Fiscal Year*	2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> ?	18. Are there reported deficiencies?
<input checked="" type="checkbox"/> ?	19. If so, was it attached to the audit report?

General Fund Revenue:	? 83,389
General Fund Expenditure:	? 74,137
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	? 169,716
Governmental Activities Long-Term Debt (see instructions):	? - 0 -

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)*	DAVID	Last Name*	BASLER	Ten Digit License Number*	1101013418
CPA Street Address*	400 E. Eighth St.	City*	Traverse City	State*	MI
				Zip Code*	49686
CPA Firm Name*	Robin & Co., PC	Unit's Street Address*		Unit's City*	
				Unit's Zip*	231 947-0151

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INTRODUCTORY SECTION

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Comments and Recommendations

We have audited the basic financial statements and the individual fund financial statements of Marilla Township, Manistee County, for the year ended June 30, 2008 and have issued our report thereon. As part of our examination, we made a study and evaluation of the Township's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Township's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Our study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal control of Marilla Township taken as a whole. As a result of our examination, we respectfully submit the following comments and recommendations.

General

The accounting records were maintained in good order by your present Clerk and Treasurer. Supporting documents and follow-up procedures appeared to be adequate. Board minutes were generally in good order. The efforts of these officials for 2007-2008 are commendable.

Budgets and Procedures

We noted violations of Act 621 of 1978, (Uniform Budgeting Act). The Township prepared and adopted the required budget for its General and Special Revenue Funds, but certain cost centers exceeded their expenditure budget. (See Note 2.).

General Fund

The General Fund is presented on Schedule 1 of this report. The fund balance increased by \$8,718 for the audit year to a total of \$160,716 at June 30, 2008.

Town Hall Improvement Fund

This fund, which began during the 2004-2005 fiscal year, is used to account for a special voted millage and other revenues designated for township hall improvements. The fund balance increased by \$3,269 for the audit year to a total of \$19,840 at June 30, 2008.

Perpetual Care Fund

This fund was established to account for monies earmarked for the perpetual care of cemetery lots. The fund balance at June 30, 2008 was \$3,653 of which \$2,805 is restricted contributions.

Timber Fund

This fund is used to account for the sale of timber which revenues are designated to be used for cemetery improvements and operation. The fund balance increased by \$80 for the audit year to a total of \$8,396 at June 30, 2008.

Current Tax Collection Agency Fund

This fund is presented in Schedules 5 and 6.

Current Tax Collections

Property taxes collected were distributed to taxing units prior to the end of the fiscal year, and distributions were in accordance with statutory requirements. This function was handled in an excellent manner by the Treasurer. It appears that all personal property taxes were collected prior to settlement with the County Treasurer. Schedule 3 reflects the amount levied, collected, and returned delinquent for the 2007 property tax levy.

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Comments and Recommendations

Property Tax Administration Fees

As permitted by statute, an administration fee of 1% was levied on all 2007 property taxes. Fees collected may be used only to offset such property tax administration costs as assessing, collecting and the review and appeal process. As noted in Schedule 7, costs exceeded fees collected by \$6,960 for the audit year. The Township was in compliance with statutory requirements.

Insurance and Surety Bond Coverage

Records indicate that the Township is insured through Auto Owners and has such coverage as fire and extended coverage, general liability, errors and omissions, equipment, crime and workmen's compensation. This coverage should be reviewed annually. The Clerk and Treasurer have surety bond coverage.

Payroll Procedures

Payroll records proved adequate and were properly maintained. Our tests disclosed that required reports are being filed in a timely manner by the Clerk.

Other Data

After completion of our audit, we will submit the necessary copies of our report to the State Department of Treasury.

We again commend the Clerk and Treasurer for the condition of the Township records. We also appreciate the courtesy extended our field examiner in the conduct of this audit.

Your confidence is respected. Please contact us if questions arise or assistance is needed.

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FINANCIAL SECTION

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REPORT OF INDEPENDENT AUDITOR

To the Township Board
Marilla Township
Manistee County
Copemish, Michigan 49625

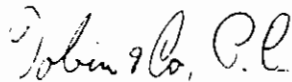
We have audited the accompanying financial statements of the governmental activities and each major fund and the aggregate of remaining fund information of Marilla Township as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate of remaining fund information of Marilla Township at June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis are not a required part of the basic financial statements, but are supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Table of Contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements of Marilla Township. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.



TOBIN & CO., P.C.
Certified Public Accountants
October 27, 2008

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MARILLA TOWNSHIP MANAGEMENT'S DISCUSSION AND ANALYSIS

As the Township Board of the Marilla Township, Manistee County, we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of Marilla Township for the fiscal year ended June 30, 2008.

The Marilla Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Financial Highlights

The assets of Marilla Township exceeded its liabilities at the close of the most recent fiscal year by \$285,309. Of this amount, \$189,800 may be used to meet the Township's ongoing obligations to citizens and creditors.

As of the close of the current fiscal year, Township's governmental funds reported combined ending fund balances of \$192,605, an increase of \$12,148 in comparison with the prior year. \$178,434 is available for spending at the Township's discretion.

At the end of the current fiscal year, unrestricted fund balance for the general fund was \$149,350, or 201% of total general fund expenditures.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

Both of the government-wide financial statements show functions of the Township that are principally supported by taxes and intergovernmental revenues (**governmental activities**). The governmental activities of the Township include: General Government, Public Safety, Road Projects, and Township improvements. Marilla Township does not have any business-type activities (examples would include water and sewer, golf courses, etc.).

Statement of Governmental Net Assets:

Net assets may serve over time as a useful indicator of a government's financial position. In the case of Marilla Township, assets exceeded liabilities by \$285,309 at the close of the most recent fiscal year.

A significant portion of the Township's net assets, \$92,704 or 31% of the total, reflects its investment in capital assets. Marilla Township capital assets include the Township hall, parkland and buildings, cemetery and buildings, vacant land, computers, and election equipment. The Township used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The Township's investment in its capital assets has been made over the past several years and no related debt is outstanding.

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Statement of Township's Net Assets

	Governmental Activities and Total	
	June 30, 2008	June 30, 2007
Current Assets	\$ 194,099	\$ 181,827
Capital Assets	92,704	83,412
Total Assets	286,803	265,239
Long-term Liabilities	-	-
Other Liabilities	1,494	1,379
Total Liabilities	1,494	1,379
Net Assets:		
Investment in Capital Assets	92,704	83,412
Restricted for:		
Cemetery	12,049	11,888
Road Improvements	11,366	8,633
Building Improvement	18,195	16,571
Unrestricted	150,995	143,356
Total Net Assets	\$ 285,309	\$ 263,860

A portion of the Township's net assets (15%) represents resources that are subject to external or board restrictions on how they may be used. The remaining balance of unrestricted net assets, \$150,995, may be used to meet the Township's general ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Township is able to report positive balances for the government as a whole, as well as for its separate governmental activities and funds. The same situation held true for the prior fiscal year.

Statement of Governmental Activities:

Governmental activities increased the Township's net assets by \$21,449, accounting for an 8.13% growth in the net assets of the Township.

Statement of Township's Activities

	Governmental Activities and Total	
	June 30, 2008	June 30, 2007
Program Revenues:		
Charges for Services	\$ 5,947	\$ 7,907
Operating Grants and Contributions	2,190	12,183
Capital Grants and Contributions	-	-
General Revenues:		
Property Taxes	55,246	51,094
State Shared Revenues	24,751	24,626
Unrestricted Investment Earnings	2,478	3,112
Miscellaneous	6,702	435
Total Revenues	97,314	99,357
Program Expenses:		
Legislative and General Government	53,843	53,938
Public Safety	19,273	15,086
Public Works	1,641	1,099
Parks and Recreation	1,108	1,102
Total Expenses	75,865	71,225
Change in Net Assets	\$ 21,449	\$ 28,132

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Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Marilla Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Marilla Township are categorized as governmental funds.

Marilla Township maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Township Hall Improvement Fund, which are considered to be major funds.

The Township adopts an annual appropriated budget for its general fund and special revenue funds.

Governmental Funds

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$192,605, an increase of \$12,148 in comparison with the prior year. \$178,434 of this total amount constitutes unrestricted fund balance, which is available for spending at the Township's discretion.

All Township government activities are included in four funds that Marilla Township maintains. The General Fund is used for normal governmental activities such as, paying employees, running election, zoning activities, office supplies, and others. The Township Hall Improvement Fund is used for improvements to the Town Hall. The Timber and Perpetual Care funds are used for cemetery maintenance and improvements.

Statement of Township's Governmental Funds Fund Balances 2008

	General	Town Hall Improvement	Non-Major	Total
Assets:				
Cash in Bank - Checking	\$ 163,728	\$ 18,195	\$ 12,049	\$ 193,972
Due from Other Funds	-	1,645	-	1,645
Prepaid Expenses	127	-	-	127
Total Assets	<u>\$ 163,855</u>	<u>\$ 19,840</u>	<u>\$ 12,049</u>	<u>\$ 195,744</u>
Liabilities:				
Accounts Payable	\$ 1,494	\$ -	\$ -	\$ 1,494
Due to Other Funds	1,645	-	-	1,645
Loans Payable	-	-	-	-
Total Liabilities	<u>3,139</u>	<u>-</u>	<u>-</u>	<u>3,139</u>
Fund Balances:				
Restricted	11,366	-	2,805	14,171
Unrestricted	149,350	19,840	9,244	178,434
Total Fund Balances	<u>\$ 160,716</u>	<u>\$ 19,840</u>	<u>\$ 12,049</u>	<u>\$ 192,605</u>

Statement of Township's Governmental Funds Fund Balances 2007

	General	Town Hall Improvement	Non-Major	Total
Assets:				
Cash in Bank	\$ 153,201	\$ 16,571	\$ 11,888	\$ 181,660
Total Assets	<u>\$ 153,201</u>	<u>\$ 16,571</u>	<u>\$ 11,888</u>	<u>\$ 181,660</u>
Liabilities:				
Accounts Payable	\$ 1,203	\$ -	\$ -	\$ 1,203
Loans Payable	-	-	-	-
Total Liabilities	<u>1,203</u>	<u>-</u>	<u>-</u>	<u>1,203</u>
Fund Balances:				
Restricted	\$ 8,633	\$ -	\$ 2,705	\$ 11,338
Unrestricted	143,365	16,571	9,183	169,119
Total Fund Balances	<u>\$ 151,998</u>	<u>\$ 16,571</u>	<u>\$ 11,888</u>	<u>\$ 180,457</u>

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Statement of Township's Governmental Funds Revenues & Expenditures 2008

	General	Town Hall Improvement	Non-Major	Total
Revenues				
Grants and Charges	\$ 8,137	\$ -	\$ -	\$ 8,137
Property Taxes	41,591	13,655	-	55,246
State Shared Revenues	24,751	-	-	24,751
Investment Earnings	2,208	109	161	2,478
Other Income	<u>6,702</u>	<u>-</u>	<u>-</u>	<u>6,702</u>
Total Revenues	<u>83,389</u>	<u>13,764</u>	<u>161</u>	<u>97,314</u>
Program Expenses				
Legislative and General Government	49,492	-	-	49,492
Public Safety	19,273	-	-	19,273
Public Works	1,641	-	-	1,641
Parks and Recreation	451	-	-	451
Capital Outlay	3,280	11,029	-	14,309
Operating Transfers	<u>534</u>	<u>(534)</u>	<u>-</u>	<u>-</u>
Total Expenses	<u>74,671</u>	<u>10,495</u>	<u>-</u>	<u>85,166</u>
Change in Fund Balances	8,718	3,269	161	12,148
Fund Balance – Start of Year	<u>151,998</u>	<u>16,571</u>	<u>11,888</u>	<u>180,457</u>
Fund Balance – End of Year	<u>\$ 160,716</u>	<u>\$ 19,840</u>	<u>\$ 12,049</u>	<u>\$ 192,605</u>

Statement of Township's Governmental Funds Revenues & Expenditures 2007

	General	Town Hall Improvement	Non-Major	Total
Revenues				
Grants and Charges	\$ 20,090	\$ -	\$ -	\$ 20,090
Property Taxes	37,731	13,363	-	51,094
State Shared Revenues	24,626	-	-	24,626
Investment Earnings	2,881	131	100	3,112
Other Income	<u>335</u>	<u>-</u>	<u>100</u>	<u>435</u>
Total Revenues	<u>85,663</u>	<u>13,494</u>	<u>200</u>	<u>99,357</u>
Program Expenses				
Legislative and General Government	45,063	1,642	3,414	50,119
Public Safety	15,086	-	-	15,086
Public Works	1,099	-	-	1,099
Parks and Recreation	445	-	-	445
Capital Outlay	<u>3,600</u>	<u>10,585</u>	<u>-</u>	<u>14,185</u>
Total Expenses	<u>65,293</u>	<u>12,227</u>	<u>3,414</u>	<u>80,934</u>
Change in Fund Balances	20,370	1,267	(3,214)	18,423
Fund Balance – Start of Year	<u>131,628</u>	<u>15,304</u>	<u>15,102</u>	<u>162,034</u>
Fund Balance – End of Year	<u>\$ 151,998</u>	<u>\$ 16,571</u>	<u>\$ 11,888</u>	<u>\$ 180,457</u>

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Notes to the Financial Statements

Notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

General Fund – Analysis and Highlights

The General Fund is the primary operating fund for the Township. It accounts for all financial resources of the Township, except those listed in another fund. (Hall Improvement Fund, Cemetery Timber account, and Perpetual Care Fund).

Town Hall Improvement Fund – Analysis and Highlights

This fund is used solely for improvements and maintenance of our Township Hall, funded by a millage approved by the voters of the Township. A committee has been formed to analyze needed repairs, etc., and to initiate the proper steps to achieve the desired results. Any expenditures in excess of \$2,500 are to be approved by the Board with the recommendation of the Committee.

Timber Fund – Analysis and Highlights

The Timber Fund is earmarked specifically for repairs and improvements to the Cemetery. There were no expenditures by this fund during this audit period.

Capital Asset and Debt Administration

Capital Assets

The Township's investment in capital assets for its governmental activities as of June 30, 2008, amounts to \$132,430 less accumulated depreciation of \$39,726 for a total capital asset value of \$92,704. All of our government funds report capital outlays as expenditures. However, the cost of the assets is allocated over their useful life.

This year the amount by which capital outlays exceeded depreciation was \$9,301.

Cash Assets

At the end of the current fiscal year, the Township had \$193,972 in cash and other spendable assets. The Township is limited by State law in how it can invest these funds.

Long-term Debt

At the end of the current fiscal year, the Township had no bonded or installment debt outstanding.

Currently Known Facts, Decisions, or Conditions

Economic Factors and Next Year's Budgets and Rates

The unemployment rate continues to rise in the State of Michigan, and the National economic crisis is significantly impacting the State, and therefore, the Township. We anticipate further reduction in State shared revenues, and have budgeted accordingly.

Requests for Information

This financial report is designed to provide a general overview of Marilla Township's finances for all those with an interest in the Township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Supervisor of Marilla Township, Holly L. Waldo, 8054 Marilla Rd., Copemish, Michigan or to Marilla Township's Treasurer, Patricia Ellis, 12710 Marilla Rd., Copemish, Michigan.

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Marilla Township Statement of Net Assets June 30, 2008

Primary Government Governmental Activities And Total

Assets

Cash	\$ 193,972
Prepaid Expenses	127
Capital Assets	
Land	6,475
Other Capital Assets, Net of Depreciation	<u>86,229</u>
Total Capital Assets	<u>92,704</u>
Total Assets	<u>286,803</u>

Liabilities

Accounts Payable	<u>1,494</u>
Total Liabilities	<u>1,494</u>

Net Assets

Invested in Capital Assets	92,704
Restricted for:	
Cemetery Perpetual Care	2,805
Cemetery Operations	9,244
Highway Improvements	11,366
Building Improvement	18,195
Unrestricted	<u>150,995</u>
Total Net Assets	<u>\$ 285,309</u>

See Accompanying Notes to Basic Financial Statements

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Marilla Township Statement of Activities June 30, 2008

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		<u>Total</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Legislative	\$ 8,538	\$ -	\$ -	\$ (8,538)
General Government	45,305	5,947	-	(39,358)
Public Safety	19,273	-	-	(19,273)
Public Works	1,641	-	2,190	549
Parks and Recreation	<u>1,108</u>	<u>-</u>	<u>-</u>	<u>(1,108)</u>
Total Governmental Activities	<u>\$ 75,865</u>	<u>\$ 5,947</u>	<u>\$ 2,190</u>	<u>(67,728)</u>
General Revenues:				
Property Taxes				55,246
State Shared Revenues				24,751
Unrestricted Investment Earnings				2,478
Miscellaneous				<u>6,702</u>
Total General Revenues				89,177
Change in Net Assets				21,449
Net Assets – Beginning				<u>263,860</u>
Net Assets – Ending				<u>\$ 285,309</u>

See Accompanying Notes to Basic Financial Statements

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Marilla Township Balance Sheets Governmental Funds June 30, 2008

	<u>General</u>	<u>Improvement Town Hall</u>	<u>Non-Major</u>	<u>Total</u>
Assets				
Cash in Bank	\$ 163,728	\$ 18,195	\$ 12,049	\$ 193,972
Due from Other Funds	-	1,645	-	1,645
Prepaid Expenses	<u>127</u>	<u>-</u>	<u>-</u>	<u>127</u>
Total Assets	<u>\$ 163,855</u>	<u>\$ 19,840</u>	<u>\$ 12,049</u>	<u>\$ 195,744</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 1,494	\$ -	\$ -	\$ 1,494
Due to Other Funds	<u>1,645</u>	<u>-</u>	<u>-</u>	<u>1,645</u>
Total Liabilities	<u>3,139</u>	<u>-</u>	<u>-</u>	<u>3,139</u>
Fund Balances:				
Restricted	11,366	-	2,805	14,171
Unrestricted	<u>149,350</u>	<u>19,840</u>	<u>9,244</u>	<u>178,434</u>
Total Fund Balances	<u>160,716</u>	<u>19,840</u>	<u>12,049</u>	<u>192,605</u>
Total Liabilities and Fund Balances	<u>\$ 163,855</u>	<u>\$ 19,840</u>	<u>\$ 12,049</u>	
Amounts reported for governmental activities on the statement of net assets are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.				<u>92,704</u>
Net assets of governmental activities.				<u>\$ 285,309</u>

See Accompanying Notes to Basic Financial Statements

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Marilla Township Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended June 30, 2008

	<u>General</u>	<u>Improvement Town Hall</u>	<u>Non-Major</u>	<u>Total</u>
Revenues				
Taxes	\$ 41,591	\$ 13,655	\$ -	\$ 55,246
Licenses and Permits	3,175	-	-	3,175
State Grants	26,941	-	-	26,941
Charges for Services	1,472	-	-	1,472
Interest and Rents	3,508	109	161	3,778
Other	<u>6,702</u>	<u>-</u>	<u>-</u>	<u>6,702</u>
Total	<u>83,389</u>	<u>13,764</u>	<u>161</u>	<u>97,314</u>
Expenditures				
Legislative	4,351	-	-	4,351
General Government	40,954	-	-	40,954
Public Safety	19,273	-	-	19,273
Public Works	1,641	-	-	1,641
Parks and Recreation	451	-	-	451
Other	4,187	-	-	4,187
Capital Outlay	<u>3,280</u>	<u>11,029</u>	<u>-</u>	<u>14,309</u>
Total	<u>74,137</u>	<u>11,029</u>	<u>-</u>	<u>85,166</u>
Excess Revenues (Expenditures)	<u>9,252</u>	<u>2,735</u>	<u>161</u>	<u>12,148</u>
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	-	534	-	534
Operating Transfers (Out)	<u>(534)</u>	<u>-</u>	<u>-</u>	<u>(534)</u>
Total	<u>(534)</u>	<u>534</u>	<u>-</u>	<u>-</u>
Excess Revenues (Expenditures) and Net Change in Fund Balances	8,718	3,269	161	12,148
Fund Balance – Beginning of Year	<u>151,998</u>	<u>16,571</u>	<u>11,888</u>	
Fund Balance – End of Year	<u>\$ 160,716</u>	<u>\$ 19,840</u>	<u>\$ 12,049</u>	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.				<u>9,301</u>
Change in Net Assets of Governmental Activities.				<u>\$ 21,449</u>

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Marilla Township Statement of Fiduciary Net Assets June 30, 2008

Assets	Agency Funds
Cash	\$ 1,109
Total Assets	<u>\$ 1,109</u>
Liabilities	
Undistributed Taxes and Interest	\$ 1,109
Total Liabilities	<u>\$ 1,109</u>
Net Assets	<u>\$ -</u>

See Accompanying Notes to Basic Financial Statements

Tobin & Co.

Marilla Township Notes to Financial Statements June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Marilla Township is a general law township located in Manistee County. Population as of the 2000 census was 362, the current state equalized valuation for taxable property is \$26,848,400 and the current taxable valuation is \$14,394,263.

The Township's basic financial statements include the accounts of all Township operations. The criteria for including organizations within the Township's reporting entity, as set forth in GASB No. 14, "*The Financial Reporting Entity*" includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Township. The effect of interfund activity, within the governmental activities column, has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements:

The Township segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Township has presented the following governmental funds:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state distributions or grants, and other intergovernmental revenues.

Special Revenue Funds – These funds are used to account for specific governmental revenues (other than expendable trusts and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action.

Perpetual Care Fund (Permanent Fund) – This fund is used to account for revenues that are legally restricted to the extent that only earnings, and not principal, may be used to support operations of the Township's cemetery.

Tobin & Co.

Marilla Township Notes to Financial Statements June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation (Continued)

Fiduciary Funds

These funds are used to account for assets held in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund and agency fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The Township considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The revenue susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

D. Budgets

The General Fund and Special Revenue Funds are under formal budgetary control. Budgets shown in the required supplementary schedules for these funds were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Township.

In the body of the financial statements and the required supplementary schedules, the Township's actual and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets for these funds were adopted to the activity or cost center level.

For budgetary purposes appropriations lapse at fiscal year end.

E. Capital Assets

Capital assets, which includes property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

Tobin & Co.

Marilla Township Notes to Financial Statements June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Capital Assets (Continued)

Assets capitalized have an original cost of \$1,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Land Improvements	20 years
Buildings	40 years
Building Improvements	20 - 25 years
Equipment	5 years

F. Property Tax Procedures and Collections

Properties are assessed as of December 31 and the related property taxes become a lien the following July 1 and/or December 1. Real property taxes are collected by the Township Treasurer through February 28 of each year. As of March 1, uncollected real property taxes are returned delinquent to, and collected by, the County Treasurer. Personal property taxes remain the responsibility of the Township Treasurer to collect. It is the policy of the Township to record the real property taxes in the year of levy.

During the collection period prior to March 1, the Township Treasurer makes distribution of the property tax collections to the various taxing units (County, School District, etc.) as required by statute.

For the fiscal year the Township levied property taxes as follows:

	SEV	Taxable Value	Millage Rate
General Operating	\$ 26,848,400	\$ 14,394,263	2.4294
Township Hall Improvements	\$ 26,848,400	\$ 14,394,263	.9488

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. We noted no violations of legal provisions and/or contractual provisions of various agreements related to financial matters.
- B. All funds had positive fund balances at June 30, 2008.
- C. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the year ended June 30, 2008, the following activities or cost centers in the General Fund overexpended their budgets without prior amendment.

Township Hall and Grounds	\$	1,801
Cemetery	\$	47
Trash Disposal Service	\$	541
Capital Outlay	\$	3,080
Operating Transfers Out	\$	534

Tobin & Co.

Marilla Township Notes to Financial Statements June 30, 2008

NOTE 3 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Township, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- (1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- (2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).
- (3) In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
- (4) Repurchase agreements consisting of instruments defined in (1) above.
- (5) In bankers' acceptances of United States Banks.
- (6) Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (7) In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

B. Types of Deposits and Investments

The Township had \$197,587 deposited with a local financial institution at June 30, 2008 with a carrying value of \$195,081. Interpreting the FDIC insurance coverage of \$100,000 of demand deposits and \$100,000 of time deposits per financial institution, the Township had \$72,547 of uninsured deposits at June 30, 2008.

NOTE 4 - CAPITAL ASSETS

Capital assets of governmental activities consisted of the following at June 30,

	<u>6/30/07</u>	<u>Additions</u>	<u>Deletions</u>	<u>6/30/08</u>
Land and Improvements	\$ 17,461	\$ -	\$ -	\$ 17,461
Buildings and Improvements	88,728	14,301	-	103,029
Equipment	<u>11,940</u>	<u>-</u>	<u>-</u>	<u>11,940</u>
	118,129	14,301	-	132,430
Less Accumulated Depreciation	<u>(34,717)</u>	<u>(5,009)</u>	<u>-</u>	<u>(39,726)</u>
	<u>\$ 83,412</u>	<u>\$ 9,292</u>	<u>\$ -</u>	<u>\$ 92,704</u>

NOTE 5 - LONG-TERM DEBT

The Township has no long-term debt and no such borrowing is anticipated in the near future.

NOTE 6 - INVENTORIES

Marilla Township does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expenses when purchased.

Tobin & Co.

Marilla Township Notes to Financial Statements June 30, 2008

NOTE 7 - PENSION PLAN

The Township does not participate in a pension plan for its officials and employees. The Township does provide Social Security coverage for its officials and employees.

NOTE 8 - CONTINGENT LIABILITIES

Township officials are aware of no contingent liabilities at June 30, 2008.

NOTE 9 - PROPERTY TAX ADMINISTRATION FEES

The Township levied the 1% administration fee permitted by statute on all 2007 property taxes. This fee may be used only to offset such property tax administration expenses as assessing, collecting, and the review and appeal process. For the audit year, costs exceeded collections by \$6,960. Records reflect accumulated costs over collections of \$75,906. See Schedule 7.

NOTE 10- RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the audit year the Township addressed these risks through the purchase of commercial insurance through Municipal Underwriters of Michigan. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

NOTE 11- COMPENSATED ABSENCES

The Township does not provide for payment to employees for unused sick leave, accumulated leave, etc.

SUPPLEMENTAL DATA SECTION

Tobin & Co.

Marilla Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2008

Schedule 1
Page 1

Revenues	Budgetary Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Taxes:				
Current Taxes	\$ 31,000	\$ 31,000	\$ 30,752	\$ (248)
Delinquent Taxes	200	-	4,213	4,213
Swamp Tax	1,000	1,000	1,002	2
Commercial and National Forest	1,200	1,200	543	(657)
Penalties and Interest on Taxes	-	-	69	69
Property Tax Administration Fees	3,400	3,400	5,012	1,612
Licenses and Permits:				
Permits	1,325	1,330	3,175	1,845
State Grants:				
State Shared Revenues	24,800	24,800	24,751	(49)
Metro Act	3,000	3,000	2,190	(810)
Master Plan	8,000	8,000	-	(8,000)
Charges for Services:				
Summer Tax Collection	1,000	1,000	1,185	185
Cemetery and Other	875	875	287	(588)
Interest and Rents:				
Interest	650	850	2,208	1,358
Rents and Royalties	3,200	3,200	1,300	(1,900)
Other:				
Donations	75	75	730	655
Refunds and Reimbursements	-	-	5,972	5,972
Total Revenues	79,725	79,730	83,389	3,659
<u>Expenditures</u>				
Legislative:				
Township Board:				
Salaries and Wages	-	-	2,140	-
Supplies	-	-	15	-
Postage	-	-	663	-
Computer Services	-	-	858	-
Dues and Memberships	-	-	318	-
Transportation and Travel	-	-	20	-
Printing and Publishing	-	-	169	-
Other	-	-	168	-
Total	5,590	5,590	4,351	1,239
Total Legislative	5,590	5,590	4,351	1,239

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Marilla Township Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual General Fund For the Year Ended June 30, 2008

Schedule 1
Page 2

	Budgetary Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Expenditures (Continued)				
General Government:				
Township Supervisor:				
Salaries and Wages	-	-	4,598	-
Total	4,643	4,643	4,598	45
Elections:				
Salaries and Wages	-	-	538	-
Supplies	-	-	175	-
Transportation and Travel	-	-	60	-
Education and Training	-	-	75	-
Total	3,150	3,150	848	2,302
Assessor:				
Supplies	-	-	600	-
Contractual	-	-	5,250	-
Printing and Publishing	-	-	2,389	-
Total	8,250	8,250	8,239	11
Clerk:				
Salaries and Wages	-	-	5,078	-
Transportation and Travel	-	-	148	-
Education and Training	-	-	115	-
Total	5,498	5,498	5,341	157
Board of Review:				
Salaries and Wages	-	-	480	-
Transportation and Travel	-	-	24	-
Printing and Publishing	-	-	28	-
Other	-	-	85	-
Education and Training	-	-	110	-
Total	825	825	727	98
Treasurer:				
Salaries and Wages	-	-	5,318	-
Supplies	-	-	146	-
Transportation and Training	-	-	234	-
Total	5,743	5,743	5,698	45
Township Hall and Grounds:				
Supplies	-	-	197	-
Contractual Services	-	-	980	-
Telephone	-	-	397	-
Public Utilities	-	-	3,384	-
Maintenance and Repairs	-	-	7,943	-
Total	8,700	11,100	12,901	(1,801)

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Marilla Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2008

Schedule 1
Page 3

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
<u>Expenditures (Continued)</u>	<u>Original</u>	<u>Final</u>		
General Government (Continued):				
Cemetery:				
Salaries and Wages	-	-	330	-
Supplies	-	-	197	-
Public Utilities	-	-	158	-
Maintenance and Repairs	-	-	1,917	-
Total	<u>1,955</u>	<u>2,555</u>	<u>2,602</u>	<u>(47)</u>
Total General Government	<u>38,764</u>	<u>41,764</u>	<u>40,954</u>	<u>810</u>
Public Safety:				
Fire Protection:				
Contractual Services	<u>15,000</u>	<u>12,000</u>	<u>12,000</u>	<u>-</u>
Total	<u>15,000</u>	<u>12,000</u>	<u>12,000</u>	<u>-</u>
Planning and Zoning:				
Salaries and Wages	-	-	4,225	-
Supplies	-	-	25	-
Contractual Services	-	-	2,361	-
Transportation and Travel	-	-	322	-
Education and Training	-	-	340	-
Total	<u>11,425</u>	<u>11,385</u>	<u>7,273</u>	<u>4,112</u>
Total Public Safety	<u>26,425</u>	<u>23,385</u>	<u>19,273</u>	<u>4,112</u>
Public Works:				
Roads	1,500	1,500	-	1,500
Trash Disposal Service	<u>1,100</u>	<u>1,100</u>	<u>1,641</u>	<u>(541)</u>
Total Public Works	<u>2,600</u>	<u>2,600</u>	<u>1,641</u>	<u>959</u>
Parks and Recreation:				
Supplies	-	-	5	-
Contractual Services	-	-	350	-
Public Utilities	-	-	96	-
Total Parks and Recreation	<u>700</u>	<u>700</u>	<u>451</u>	<u>249</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Marilla Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2008

Schedule 1
Page 4

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Expenditures (Continued)</u>				
Other:				
Employee Benefits and Insurance	<u>4,400</u>	<u>4,400</u>	<u>4,187</u>	<u>213</u>
Total Other	<u>4,400</u>	<u>4,400</u>	<u>4,187</u>	<u>213</u>
Capital Outlay	<u>200</u>	<u>200</u>	<u>3,280</u>	<u>(3,080)</u>
Total Expenditures	<u>78,679</u>	<u>78,639</u>	<u>74,137</u>	<u>4,502</u>
Excess Revenues (Expenditures)	<u>1,046</u>	<u>1,091</u>	<u>9,252</u>	<u>8,161</u>
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating Transfers (Out)	<u>-</u>	<u>-</u>	<u>(534)</u>	<u>(534)</u>
Total	<u>-</u>	<u>-</u>	<u>(534)</u>	<u>(534)</u>
<u>Excess Revenues (Expenditures) and</u> <u>Other Financing Sources (Uses)</u>	<u>\$ 1,046</u>	<u>\$ 1,091</u>	<u>8,718</u>	<u>\$ 7,627</u>
Fund Balance – Beginning of Year			<u>151,998</u>	
Fund Balance – End of Year			<u>\$ 160,716</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Marilla Township
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Town Hall Improvement Fund
For the Year Ended June 30, 2008

Schedule 2

	<u>Budgetary Amounts</u>		<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Taxes:				
Current Taxes	\$ 15,441	\$ 15,441	\$ 12,010	\$ (3,431)
Delinquent Taxes	-	-	1,645	1,645
Interest and Rents:				
Interest	-	-	109	109
Total	<u>15,441</u>	<u>15,441</u>	<u>13,764</u>	<u>(1,677)</u>
<u>Expenditures</u>				
Capital Outlay	<u>12,000</u>	<u>12,000</u>	<u>11,029</u>	<u>971</u>
Total	<u>12,000</u>	<u>12,000</u>	<u>11,029</u>	<u>971</u>
Excess Revenues (Expenditures)	<u>3,441</u>	<u>3,441</u>	<u>2,735</u>	<u>(706)</u>
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In	-	-	534	534
Operating Transfer (Out)	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>534</u>	<u>534</u>
<u>Excess Revenues (Expenditures) and</u> <u>Other Financing Sources (Uses)</u>	<u>\$ 3,441</u>	<u>\$ 3,441</u>	<u>3,269</u>	<u>\$ (172)</u>
Fund Balance – Beginning of Year			<u>16,571</u>	
Fund Balance – End of Year			<u>\$ 19,840</u>	

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Marilla Township
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2008

Schedule 3

	Special Revenue	Permanent Perpetual Care	Total
	Timber		
<u>Assets</u>			
Cash in Bank	\$ 8,396	\$ 3,653	\$ 12,049
Total Assets	\$ 8,396	\$ 3,653	\$ 12,049
<u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts Payable	\$ -	\$ -	\$ -
Total Liabilities	-	-	-
Fund Balances:			
Restricted	-	2,805	2,805
Unrestricted	8,396	848	9,244
Total Fund Balances	8,396	3,653	12,049
Total Liabilities and Fund Balances	\$ 8,396	\$ 3,653	\$ 12,049

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Marilla Township
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2008

Schedule 4

	<u>Special Revenue</u>	<u>Permanent Perpetual Care</u>	<u>Total</u>
	<u>Timber</u>		
<u>Revenues</u>			
Interest and Rents:			
Interest	\$ 80	\$ 81	\$ 161
Total Revenues	80	81	161
<u>Expenditures</u>	-	-	-
Total Expenditures	-	-	-
Excess Revenues (Expenditures)	80	81	161
Fund Balance – Beginning of Year	8,316	3,572	11,888
Fund Balance – End of Year	<u>\$ 8,396</u>	<u>\$ 3,653</u>	<u>\$ 12,049</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Marilla Township
Combining Statement of Changes in Assets and Liabilities
Current Tax Collection Fund
For the Year Ended June 30, 2008

Schedule 5

	<u>Balance</u> <u>6/30/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/08</u>
<u>Assets</u>				
Cash	\$ 1,155	\$ 454,988	\$ 455,034	\$ 1,109
Total Assets	<u>\$ 1,155</u>	<u>\$ 454,988</u>	<u>\$ 455,034</u>	<u>\$ 1,109</u>
<u>Liabilities</u>				
Undistributed Taxes and Interest	\$ 1,155	\$ 454,988	\$ 455,034	\$ 1,109
Total Liabilities	<u>\$ 1,155</u>	<u>\$ 454,988</u>	<u>\$ 455,034</u>	<u>\$ 1,109</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

Tobin & Co.

Marilla Township 2007 Property Tax Levy and Collections For the Year Ended June 30, 2008

Schedule 6

	<u>Millage Rate</u>	<u>Adjusted Levy</u>	<u>Collected</u>	<u>Returned Delinquent</u>
County	5.4615	\$ 78,606	\$ 71,677	\$ 6,929
County Medical Care Facility	0.4965	7,144	6,284	860
County 911	0.7884	11,346	9,979	1,367
County Agency on Aging	0.2906	4,181	3,677	504
County Transit	0.3276	4,713	4,145	568
County Library	0.9575	13,780	12,120	1,660
State Education	6.0000	86,357	78,745	7,612
School District Tax:				
Kaleva (Norman Dickson)	22.2000	72,854	63,776	9,078
Benzie	19.3500	705	705	-
Mesick	22.0000	92,601	84,489	8,112
Intermediate School District:				
Manistee	2.0873	13,152	10,848	2,304
Traverse Bay Arca	2.9334	430	430	-
Wexford – Missaukee	5.9419	47,213	43,468	3,745
Community College Tax	3.0907	19,476	16,063	3,413
Township Taxes:				
General Operating	2.4294	34,965	30,752	4,213
Township Hall Improvement	0.9488	13,655	12,010	1,645
Administration Fee		5,011	4,491	520
Other Taxes on Roll:				
Commercial Forest		<u>379</u>	<u>379</u>	<u>-</u>
Total		<u>\$ 506,568</u>	<u>\$ 454,038</u>	<u>\$ 52,530</u>
Percent of Levy Collected		89.63%		

The Notes to the Basic Financial Statements are an integral part of this statement.

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Marilla Township
Statement of Revenues, Expenditures and Balance
Property Tax Administration Fees
For the Year Ended June 30, 2008

Schedule 7

Revenues

Property Tax Administration Fees	\$ 5,012
Summer Tax Collection Fee	<u>1,185</u>
Total Revenues	<u>6,197</u>

Expenditures

Assessor	8,239
Board of Review	727
Treasurer – 60% of Salary	3,191
Postage and Supplies	600
Use of Building, Insurance and Utilities	<u>400</u>
Total	<u>13,157</u>
Excess Revenues (Expenditures)	(6,960)
Excess Revenues (Expenditures) – Prior Years	<u>(68,946)</u>
Accumulated Excess Revenues (Expenditures)	(1) <u>\$ (75,906)</u>

(1) Does not include 1992-93

The Notes to the Financial Statements are an integral part of this statement.

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To the Township Board
Marilla Township

We have audited the financial statements of Marilla Township for the year ended June 30, 2008 and have issued our report thereon dated October 27, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 5, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable but not absolute assurance, and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist but not be detected by us.

As part of our audit, we considered the internal control of Marilla Township. Such consideration was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Internal Control

In planning and performing our audit, we considered the internal control over financial reporting of the Township as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood

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that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider each of the following significant deficiencies to be a material weakness.

Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the administrative staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected in the normal course.

Reporting Financial Data

The above definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles ("GAAP"). As a matter of convenience, the Township has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Township has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Township has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other townships of its size.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Marilla Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-2008. We noted no transactions entered into by the Township during the year that were both significant and unusual and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

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Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. However, none of management's estimates are considered to be particularly sensitive.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Township, either individually or in the aggregate, indicates matters that could have a significant effect on the Township's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Township's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

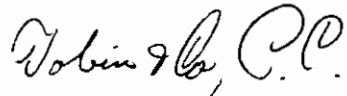
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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No Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Township Board and management of Marilla Township and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Tobin & Co., P.C.".

Tobin & Co., P.C.

October 27, 2008